

Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 IO-13
ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02 AGRE-00
AID-05 CIAE-00 COME-00 INR-10 LAB-04 NSAE-00
OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15 ICAE-00
INRE-00 PA-01 NSCE-00 JUSE-00 OPIC-03 XMB-02 /135 R

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FM SECSTATE WASHDC
TO AMEMBASSY DACCA IMMEDIATE
INFO USMISSION GENEVA
AMEMBASSY NEW DELHI
AMEMBASSY PARIS

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USOECD

E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: UNCTAD COMMODITIES: JUTE

PARIS FOR COOPER

REF: DACCA 4157

1. SUMMARY: FIFTH UNCTAD PREPARATORY MEETING ON JUTE AND
JUTE PRODUCTS WILL TAKE PLACE IN GENEVA JULY 24-28. U.S.
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EFFORTS TO BE FORTHCOMING HAVE BEEN MADE MORE DIFFICULT BY
CONFUSING BANGLADESH POLICY, CONFLICTING STATEMENTS, AND
EMPHASIS WHICH BANGLADESH REPS IN GENEVA HAVE PLACED ON
PRICE STABILIZATION ISSUE TO EXCLUSION OF "OTHER MEASURES".
EMBASSY IS REQUESTED TO APPROACH BDG TO CLARIFY THEIR
UNCTAD JUTE POLICY AND REQUEST COOPERATION IN MAKING UP-
COMING MEETING AND FURTHER DISCUSSIONS AS CONSTRUCTIVE AS

POSSIBLE.

2. RECENT STATEMENTS BY BANGLADESH REPRESENTATIVE TO AD HOC INTERGOVERNMENTAL COMMITTEE MEETING IN GENEVA HAVE INCREASED CONFUSION IN CONSIDERATION OF INTERNATIONAL MEASURES ON JUTE AND APPEAR TO CONTRADICT SOME STATEMENTS MADE BY OFFICIALS IN BANGLADESH (REFTEL). U.S. MISSION GENEVA IS REPORTING STATEMENTS IN DETAIL TO YOU, BUT IN

ESSENCE BANGLADESH REPRESENTATIVE (AHMAD) STATED INITIALLY THAT RECENT SECRETARIAT PROPOSAL WAS UNACCEPTABLE AND BANGLADESH WOULD ACCEPT NOTHING LESS THAN A FULL INTERNATIONAL BUFFER STOCK FOR RAW JUTE AND JUTE PRODUCTS. IN A SUBSEQUENT STATEMENT HE RETRACTED THIS AND SAID THAT PROPOSAL WAS A SUITABLE BASIS FOR FURTHER DISCUSSIONS. WE ARE CONCERNED OVER THIS APPARENT CONFUSION IN BANGLADESH POLICY TOWARDS INTERNATIONAL COOPERATION ON JUTE.

3. AS YOU ARE AWARE U.S. HAS BEEN SKEPTICAL SINCE BEGINNING ABOUT JUSTIFICATION FOR INTERNATIONAL PRICE STABILIZATION MEASURES FOR JUTE. WE HAVE TRIED ON NUMEROUS OCCASIONS TO FOCUS MORE ON "OTHER MEASURES" WHERE WE BELIEVE SOMETHING USEFUL CAN BE ACCOMPLISHED. HOWEVER, ANY DISCUSSION, STUDY, OR PROGRESS ON THIS ISSUE HAS BEEN ADAMANTLY OPPOSED BY BANGLADESH REPRESENTATIVES UNTIL PRIOR COMMITMENT IS GIVEN BY CONSUMERS TO INCLUDE PRICE LIMITED OFFICIAL USE

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STABILIZATION IN ANY INTERNATIONAL ARRANGEMENT. WE BELIEVE THIS UNDUE EMPHASIS IN GENEVA ON PRICE STABILIZATION HAS BEEN COUNTERPRODUCTIVE. BY FOCUSING PRIMARILY ON THIS CONTROVERSIAL ISSUE MUCH TIME HAS BEEN WASTED WHICH MIGHT OTHERWISE HAVE BEEN DEVOTED TO MORE PRODUCTIVE AREAS.

4. AT THE REQUEST OF PRODUCERS WE HAVE STUDIED CAREFULLY THE QUESTION OF MARKET STABILIZATION. OUR ANALYSIS HAS DRAWN THE FOLLOWING CONCLUSIONS.

(A) AVERAGE RAW JUTE PRICE FLUCTUATION SINCE 1960 HAS NOT BEEN SEVERE (12 PERCENT AROUND A FIVE-YEAR MOVING AVERAGE);

(B) OCCASIONAL SHARP YEAR-TO-YEAR PRICE FLUCTUATIONS (WHICH HAVE OCCURRED ONLY ABOVE THE TREND) HAVE RESULTED AS MUCH FROM GOVERNMENT POLICIES AS FROM ACTUAL SHORTAGES;

(C) THE COMPETITION WITH RICE FOR PRODUCTIVE LAND COULD NOT BE CONTROLLED BY PRICE STABILIZATION MEASURES FOR JUTE;

(D) THE INSTABILITY OF PRICE WHICH HAS OCCURRED HAS NOT

BEEN SUFFICIENTLY IMPORTANT TO JUTE'S COMPETITIVENESS TO WARRANT THE ALLOCATION OF SCARCE RESOURCES TO INTERNATIONAL STABILIZATION MEASURES; AND

(E) U.S. CONSUMER INTEREST IS MINIMAL GIVEN THE SMALL QUANTITY OF RAW JUTE IMPORTED AND THE AVAILABILITY OF SYNTHETIC SUBSTITUTES.

ON THE BASIS OF THESE AND OTHER REASONS EXPRESSED AT PREVIOUS MEETINGS AND DESCRIBED IN ANALYSES ALREADY SENT TO YOU, EVENTUAL U.S. PARTICIPATION IN ANY INTERNATIONAL STABILIZATION MEASURES WHICH MAY BE DEVELOPED WOULD BE VERY DIFFICULT. ALTHOUGH WE WILL CONTINUE TO KEEP AN OPEN MIND IN FURTHER DISCUSSIONS, AND DO NOT WISH TO BLOCK LIMITED OFFICIAL USE

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PROGRESS SOUGHT BY OTHERS, WE CONSIDER IT IMPORTANT FOR FURTHER PROGRESS THAT BANGLADESH UNDERSTAND OUR POSITION.

5. U.S. CONTINUES TO BELIEVE THAT SOMETHING USEFUL CAN BE DONE IN AREA OF OTHER MEASURES, PARTICULARLY ON R AND D AND MARKET PROMOTION. WE INTEND TO FOCUS OUR EFFORTS NOW PRIMARILY IN THIS DIRECTION, AND WE HOPE THAT THE DIRECTION OF FUTURE MEETINGS WILL NOT PRECLUDE SUCH ACTION. THE FIFTH PREPARATORY MEETING ON JUTE (GENEVA, JULY 24-28) WILL BE IMPORTANT IN DETERMINING WHERE DISCUSSIONS GO FROM HERE.

6. EMBASSY IS REQUESTED TO APPROACH GOVERNMENT OF BANGLADESH, DRAWING ON THE ABOVE, TO CONVEY OUR POSITION, TO OBTAIN CLARIFICATION OF THEIR UNCTAD JUTE POLICY AND TO URGE THEIR COOPERATION IN MAKING DISCUSSIONS AS CONSTRUCTIVE AS POSSIBLE. PLEASE REPORT REACTION TO DEPARTMENT AND TO U.S. MISSION GENEVA. CHRISTOPHER

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